A Necessary Critique of the Subjective Theory of Value

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"Need is what life demands — a finite and healthy remedy. Desire is a mirage of need, which, by comparison and addiction, never comes to an end."
An economic science worthy of that name cannot confuse the two.

Abstract

The subjective theory of value, cornerstone of the Austrian School and of much of neoclassical economics, holds that the value of goods derives from the individual's subjective appreciation. This article subjects that postulate to critique based on three orders of evidence: (1) the biological and psychological distinction between needs (limited, satiable, and healthy) and desires (unlimited, insatiable, and often harmful); (2) the historical demonstration that subjective preferences are not spontaneous but systematically induced through coercion, deception, and addiction (Opium Wars, colonial alcoholism, tobacco industry strategies, pharmaceutical pathologisation); (3) Adam Smith's early warning about the "naivety" of those who trust in the good faith of the powerful. It is concluded that the subjective theory of value, by ignoring the asymmetry of power in preference formation and the existence of objective needs, functions as a legitimising ideology rather than as a scientific theory. It is proposed to complement (or replace) it with a criterion of objective value based on the satisfaction of personal, social and environmental needs.

Keywords: Subjective value, human needs, induced desires, Adam Smith, preference manipulation, economic critique.

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1. Introduction

From Carl Menger to the present day, the subjective theory of value has dominated the economic explanation of prices and exchange. Its appeal is evident: it starts from the concrete individual, respects their choices, and does not impose external criteria. However, this article defends an uncomfortable thesis: the subjective theory of value, in its radical formulation, is empirically insufficient and normatively dangerous. It is insufficient because it cannot explain why the same individual values a vital need (water) less than an induced desire (luxury wine) when their objective health depends on water. It is dangerous because, by taking preferences as given and sovereign, it legitimises any desire, however pathological or manipulated, as long as it is expressed in the market.

The critique is not new. Already Adam Smith, in *The Wealth of Nations*, warned with remarkable foresight about the credulity of those who trust in the good faith of the powerful. In Book I, Chapter XI, he wrote:

"*The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To expect that the dealers should act for the general good without any intervention, relying simply on their own goodness, is an unpardonable naivety. The remedy is to give them the least possible opportunity to act against the common interest.*" (Smith, 1776, own translation).

Smith pointed out that those who hold economic power tend to manipulate the market and preferences in their own benefit. The subjective theory of value, by ignoring this systematic manipulation, falls into the same naivety that Smith censured.

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2. The Need-Desire Distinction as a Basis for an Objective Critique

2.1 The Three Scales of Needs

Following Mascarell (2026), we can distinguish three interdependent scales of genuine human needs, grounded in the biological principle of symbiosis:

Scale	Typical needs	Key properties
Personal	Physiological, security, identity, growth	Satiable, universal, he

Scale	Typical needs	Key properties
Social	Attachment, recognition, justice, cooperation	Satiable, universal, he
Environmental	Clean air/water/soil, shelter, mobility, nature	Satiable, universal, he

A need is defined by three operational criteria: (a) its satisfaction produces well-being and its lack produces discomfort in any healthy person (universality); (b) there is a finite homeostatic threshold (satiability); (c) its satisfaction does not generate deferred harm or dependence (healthiness).

2.2 Desires: Insatiable, Particular, and Often Pathological

In contrast, desires do not meet these conditions. They are insatiable (the more one satisfies a desire, the more one desires), particular (they depend on social comparison and fashion), and frequently harmful (addiction, intoxication, environmental collapse). The following table summarises the distinction:

Criterion	Need	Desire
Universality	Every healthy person feels well-being/discomfort	Depends on social and cultural conte
Satiability	Finite threshold (homeostasis)	Infinite escalation (addiction, compar
Healthiness	Does not generate deferred harm	Can intoxicate, create dependence, ha environment

2.3 The Ontological Character of Needs

A recurring objection to objectivism is that "what is a need for one person may be a desire for another." However, biological and cross-cultural evidence shows that certain deficits produce objective harm in any human being.

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3. Historical Evidence of Systematic Preference Manipulation

3.1 The Opium War and the Imposition of Addictions

Between 1839 and 1860, the British Empire waged two wars against China to force the importation of opium produced in India. The result was the creation of millions of addicts in a population that previously did not consume the drug. There was no "spontaneous subjective preference": there was an addiction induced by military force and forced trade. The subjective theory of value, if applied to this case, would have to say that opium "subjectively had great value" for addicted Chinese, silencing the fact that that value was the symptom of a disease and of a violent imposition.

3.2 Alcohol as a Colonisation Weapon

In Australia, North America and other colonised regions, European powers systematically used alcohol to weaken indigenous populations, exchanging it for land, furs and resources, and fostering dependence. The sale of alcohol to natives was an explicit policy of social destructuring. Again, the high "subjective value" that alcohol might have had for a dependent individual is not neutral data, but the result of a domination strategy.

3.3 The Tobacco Companies and the Manufacture of Addictions

During the 20th century, tobacco companies not only concealed the carcinogenic effects of tobacco, but also designed cigarettes with precise nicotine levels to maximise addiction. They invested billions in advertising aimed at women, young people and developing countries. The "subjective value" of tobacco for an adolescent who starts smoking does not reflect an autonomous preference, but the success of a social engineering campaign for profit.

3.4 Pharmaceutical Pathologisation

The pharmaceutical industry has promoted the conversion of natural processes (menopause, grief, ageing, shyness) into "disorders" treatable with lifelong medications. The most documented case is erectile dysfunction: before 1998 it did not exist as a mass disease; after the launch of Viagra and a massive marketing campaign, a demand was created where there was none before. Here the "subjective value" is literally manufactured by the industry that defines the disease and sells the cure.

3.5 Fast Fashion and Planned Obsolescence

The fashion industry generates new desires each season through fashion shows, magazines, social media and celebrities, convincing consumers that their garments from the previous season are "out of fashion", even though they

remain functional. Planned obsolescence in electronics (non-replaceable batteries, updates that slow devices) operates under the same principle: to insatiate demand in order to multiply consumption, with enormous environmental costs.

3.6 The Hypothesis of Social Disintegration (1960-1980)

Although controversial, there is documented evidence (journalistic investigations and partial declassifications) that US intelligence agencies had links with drug trafficking to demobilise contentious social movements (the case of the Contras in Nicaragua and crack in black neighbourhoods of the US). Beyond the veracity of each case, what is relevant is that the very possibility that desires are induced for political purposes delegitimises any theory that treats them as autonomous preferences.

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4. Adam Smith and the Naivety of Radical Subjectivism

The quote from Adam Smith included in the introduction is crucial because it comes from someone who cannot be accused of being anti-market. Smith, the father of economic liberalism, recognised that merchants and manufacturers systematically act against the public interest if not regulated. The subjective theory of value, by starting from consumer sovereignty and the neutrality of preferences, ignores this warning. At best, it is naive. At worst, it is ideological: it serves to legitimise any market outcome, however much it comes from manipulation, addiction or coercion.

Smith was not a radical subjectivist. In *The Theory of Moral Sentiments* (1759) he clearly distinguished between "social" (beneficial) and "anti-social" (harmful) passions, and believed in the existence of an impartial spectator who could objectively judge behaviours. Extreme subjectivism of Menger and his followers is, from this perspective, a degeneration of Smith's thought, not its culmination.

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5. Consequences for Value Theory

5.1 Subjective Value as an Insufficient Descriptor

The subjective theory of value explains well why an addict pays a lot for their drug: because they subjectively value it highly. But it does not explain why that

valuation is pathological, nor why it would be better for the addict not to have it. Nor does it explain why societies regulate or prohibit certain markets (drugs, weapons, organs) even when there is a positive subjective valuation. If value were purely subjective, no prohibition would be justifiable.

5.2 The Need for an Objective Criterion of Value

Historical and biological evidence suggests that we should distinguish between:

- **Primary objective value:** that which satisfies genuine needs (personal, social, environmental). It is universal, satiable and healthy.
- **Secondary subjective value:** that assigned to goods that cover unnecessary or induced desires. This can be tolerated within a regulatory framework, but never legitimised as equivalent to the former.

In practice, this implies prioritising in public policies the satisfaction of needs (drinking water, nutritious food, decent housing, social bonds, green spaces) over the maximisation of aggregate subjective valuation (GDP). It also implies regulating, taxing or prohibiting the induction of harmful desires: advertising of addictions, planned obsolescence, commercial pathologisation.

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6. Conclusions

Carl Menger's subjective theory of value, although useful for describing certain market mechanisms, is empirically deficient and normatively dangerous. It is deficient because it cannot explain the difference between needs and desires, nor the systematic manipulation of preferences historically documented. It is dangerous because, by treating all valuations as equally legitimate, it legitimises the outcomes of coercion, deception and addiction.

Adam Smith warned more than two centuries ago that trusting in the good faith of the powerful is an "unpardonable naivety." Twenty-first-century economics should take that warning seriously and complement (or replace) radical subjectivism with a theory of objective value based on the real needs of human beings, their communities and their natural environment.

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